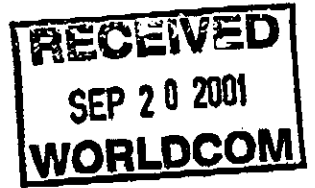


BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

DOCKET No. 2001-65-C



IN THE MATTER OF:

Generic Proceeding to Establish Prices
For BellSouth's Interconnection Services,
Unbundled Network Elements and Other
Related Elements and Services

**POST-HEARING BRIEF OF THE COMPETITIVE COALITION AND
WORLD COM**

New South Communications, NuVox Communications, Broadslate Networks, ITC^DeltaCom Communications, and KMC Telecom (collectively the "Competitive Coalition") and WorldCom by their counsel, hereby submit their post-hearing brief in this matter. This proceeding was initiated to establish the rates competitive local exchange carriers ("CLECs") will pay BellSouth Telecommunications, Inc. ("BellSouth") for unbundled network elements ("UNEs") in the State of South Carolina.

INTRODUCTION

In this proceeding BellSouth has proposed revised rates for a number of UNEs for which the Commission established permanent rates in 1998. Rates for a number of new UNEs are also proposed. BellSouth's proposed recurring UNE rates are overstated as a result of various errors and incorrect assumptions BellSouth used in its recurring cost study. BellSouth's proposed recurring rates should be rejected in favor of the rates proposed by the Competitive Coalition and WorldCom. These rates are included as Exhibit 2 to the testimony of Don Wood.

created by the BellSouth proposal.

BellSouth should also be required to apply whatever distinction the Commission settles on to UCL-ND loops. Presently, BellSouth makes no length distinction for these loops. *Id.* pp. 8-9.

The Louisiana Commission's proposed order adopts the general approach advocated by the Competitive Coalition and WorldCom. Louisiana Recommended Order, pp. 47-48. xDSL loops are to be priced in increments of 3000 feet once they exceed 18,000 feet "to reflect more accurate costs." *Id.*

ISSUE 10

WHAT IS THE APPROPRIATE METHODOLOGY TO DEAVERAGE UNEs AND WHAT IS THE APPROPRIATE RATE STRUCTURE FOR DEAVERAGED UNEs?

Geographic deaveraging is the process of establishing UNE rates based on the variation in costs of providing network elements across distinct geographic areas. The purpose of geographic deaveraging is to more closely match rates charged for a UNE with the underlying costs incurred in making that element available. Even BellSouth agrees with this premise though their proposal fails to produce this result. Section 51.507(f) of the FCC's costing rules requires that:

(f) State commissions shall establish different rates for elements in at least three defined geographic areas within the state to reflect geographic cost differences.

(1) To establish geographically-deaveraged rates, state commissions may use existing density-related zone pricing plans described in Sec. 69.123 of this chapter, or other such cost-related zone plans established pursuant to state law.

(2) In states not using such existing plans, state commissions must create a minimum of three cost-related rate zones. 47 C.F.R. 51.507(f), "Deaveraging Rule."

Under BellSouth's proposal, end users are grouped based on similarities in what

they *pay* currently in local retail rates, rather than what it costs to provide service to them. (Cox Direct at 16 – 17.) Retail rate groups contain exchanges, which in turn contain wire centers. Rate groups reflect the relative numbers of local lines within a given area, i.e., the higher the rate group number, the more lines it has. BellSouth's proposal begins by taking all the wire centers that serve their highest retail groups in South Carolina, and lumps them together in one "basket." Following this method does not lead to geographic deaveraging on the basis of cost.

Even BellSouth admits that exchanges within a rate group, as well as wire centers within an exchange, do not necessarily share the same cost characteristics. BellSouth admits that the geographic cost differences between wire centers do not determine the zone in which wire centers are placed, since its proposal is based on using existing geographic boundaries according to retail rate groups.

FCC Rule 505 specifically prohibits consideration of embedded costs, retail costs or revenues in the calculation of the TELRIC cost of an element. By its terms, then, Rule 505 applies to deaveraged, as well as averaged, UNE costs. Because BellSouth's local retail rates inherently contain a consideration of embedded retail costs, as well as revenues associated with elements other than loops, they cannot be considered in establishing the TELRIC cost, averaged or deaveraged, of UNEs.

Because retail rates are not based on cost, the various rate group areas that end up in each of BellSouth's baskets do not all share similar cost characteristics. Some of the areas in, for example, proposed Zone 1, are very low cost and some of the areas are very high cost. Reviewing BellSouth's proposal in some detail, it is evident that some very low cost wire centers are included in BellSouth's proposed

Zones 2 and 3. BellSouth's proposal fails (utterly) to comply with 47 C.F.R. 51.503, which requires BellSouth's UNE rates to be based on forward-looking economic cost. BellSouth's proposal also fails the Deaveraging Rule, for the same reason. The Commission should do as have all other Commissions in this region that have ruled on the matter and reject BellSouth's deaveraging proposal as failing to comply with applicable law. Most recently the ALJ in Louisiana has issued these strong proposed findings about BellSouth's proposal:

We reject BellSouth's proposed deaveraging methodology as a fundamentally flawed approach which violates both the requirement of Rule 507(f) to use "cost-related" zones and the underlying pricing principles of the Telecommunications Act, which require that all UNE rates be based on cost. We find that any cost relationship within the three zones is minimal, at best, and, further, that the UNE prices resulting from BellSouth's methodology will serve only to hamper competition in the State. *Louisiana Recommended Order, p. 55.*

The Commission should consider alternatives to BellSouth's proposal for deaveraging and should adopt a deaveraging methodology that relies on geographic cost differences alone as the basis for deaveraging in South Carolina.

ISSUE 12

WHAT ARE THE APPROPRIATE RECURRING RATES AND NON-RECURRING CHARGES FOR EACH OF THE FOLLOWING UNE CATEGORIES (a) - (m)?

The Competitive Coalition and WorldCom propose the recurring rates included in Exhibit DJW - 2 and the nonrecurring rates included in Attachment 1 to this Brief.